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SUPPLEMENT No. 2

TO

THE CYPRUS GAZETTE No. 3315 OF 17TH JULY, 1947.

LEGISLATION.

THE STATUTE LAWS OF CYPRUS

No. 14 OF 1947.

A LAW TO AMEND THE INCOME TAX LAWS, 1941 TO 1946.

WINSTER,] [30*th June*, 1947.

Governor.

BE it enacted by His Excellency the Governor and Commander-in-Chief of the Colony of Cyprus as follows :—

Short title.

1. This Law may be cited as the Income Tax (Amendment) Law, 1947, and shall be read as one with the Income Tax Laws, 1941 to 1946 (hereinafter referred to as " the principal Law "), and the principal Law and this Law may together be cited as the Income Tax Laws, 1941 to 1947.

6 of 1941
1 of 1942
27 of 1942
22 of 1943
7 of 1944
43 of 1944
7 of 1946.

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Amendment of section 19 of the principal Law.

2. Section 19 of the principal Law is hereby amended as follows :—

(*a*) by the deletion in sub-section (1) of the brackets and words " (as reduced by any relief granted under sections 40 and 41 of this Law) " in lines 4 and 5 and the substitution therefor of the brackets and words " (double taxation relief being left out of account) " ;

(*b*) by the insertion at the end of sub-section (2), as set out in section 4 of Law 27 of 1942, immediately after the words " that dividend " of the following words :—

" and also, where the tax paid or payable by the company is affected by double taxation relief, the rate (hereafter in this Law referred to as ' the net Colonial rate ') of the tax paid or payable by the company after taking double taxation relief into account " ;

(*c*) by the insertion immediately after sub-section (2) of the following sub-section :—

" (3) In this section the expression ' double taxation relief ' means any credit for foreign income tax which is allowable against income tax chargeable under this Law by virtue of arrangements having effect under section 42A of this Law, and any relief allowable under section 40 or section 41 of this Law, including any credit or relief which has been taken into account in determining the net Colonial rate applicable to any dividends received by the company."

Insertion of new sections 42A, 42B and 42C in the principal Law.

3. The principal Law is hereby amended by the insertion therein immediately after section 42 of the following sections :—

" Double taxation arrangements.

42A.—(1) If the Governor in Council by Order declares that arrangements specified in the Order have been made with the Government of any territory outside the Colony with a view to affording relief from double taxation in relation to income tax and any tax of a similar character imposed by the laws of that territory, and that it is expedient that those arrangements should have effect, the arrangements shall have effect in relation to income tax notwithstanding anything in any Law contained.

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(2) On the making of an Order under this section with respect to arrangements relating to the United Kingdom, section 40 of this Law shall cease to have effect except in so far as the arrangements otherwise provide.

(3) On the making of an Order under this section with respect to arrangements relating to any territory forming part of His Majesty's dominions (other than the United Kingdom or the Colony), section 41 of this Law shall cease to have effect as respects that territory except in so far as the arrangements otherwise provide.

(4) Any Order made under this section may be revoked by a subsequent Order.

(5) Where any arrangements have effect by virtue of this section, the obligation as to secrecy imposed by section 4 of this Law shall not prevent the disclosure to any authorized officer of the Government with which the arrangements are made of such information as is required to be disclosed under the arrangements.

(6) The Governor in Council may make rules for carrying out the provisions of any arrangements having effect under this section.

Tax Credits.

42B.—(1) The provisions of this section shall have effect where, under arrangements having effect under section 42A of this Law, tax payable in respect of any income in the territory with the Government of which the arrangements are made is to be allowed as a credit against tax payable in respect of that income in the Colony; and in this section the expression 'foreign tax' means any tax payable in that territory which under the arrangements is to be so allowed and the expression 'income tax' means tax chargeable under this Law.

(2) The amount of the income tax chargeable in respect of the income shall be reduced by the amount of the credit:

Provided that credit shall not be allowed against income tax for any year of assessment unless the person entitled to the income is resident in the Colony for that year.

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(3) The credit shall not exceed the amount which would be produced by computing the amount of the income in accordance with the provisions of this Law and then charging it to income tax at a rate ascertained by dividing the income tax chargeable (before allowance of credit under any arrangements having effect under section 42A of this Law) on the total income of the person entitled to the income by the amount of his total income.

(4) Without prejudice to the provisions of the preceding sub-section, the total credit to be allowed to a person for any year of assessment for foreign tax under all arrangements having effect under section 42A of this Law shall not exceed the total income tax payable by him for that year of assessment.

(5) In computing the amount of the income—

(*a*) no deduction shall be allowed in respect of foreign tax (whether in respect of the same or any other income);

(*b*) where the income tax chargeable depends on the amount received in the Colony, the said amount shall be increased by the appropriate amount of the foreign tax in respect of the income;

(*c*) where the income includes a dividend and under the arrangements foreign tax not chargeable directly or by deduction in respect of the dividend is to be taken into account in considering whether any, and if so what, credit is to be given against income tax in respect of the dividend the amount of the income shall be increased by the amount of the foreign tax not so chargeable which falls to be taken into account in computing the amount of the credit; but notwithstanding anything in the preceding provisions of this sub-section a deduction shall be allowed of any amount by which the foreign tax in respect of the income exceeds the credit therefor.

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(6) Paragraph (*a*) and (*b*) of the preceding sub-section (but not the remainder thereof) shall apply to the computation of total income for the purposes of determining the rate mentioned in sub-section (3) of this section, and shall apply thereto in relation to all income in the case of which credit falls to be given for foreign tax under arrangements for the time being in force under section 42A of this Law.

(7) Where—

(*a*) the arrangements provide, in relation to dividends of some classes, but not in relation to dividends of other classes, that foreign tax not chargeable directly or by deduction in respect of dividends is to be taken into account in considering whether any, and if so what, credit is to be given against income tax in respect of the dividends ; and

(*b*) a dividend is paid which is not of a class in relation to which the arrangements so provide,

then, if the dividend is paid to a company which controls, directly or indirectly, not less than one-half of the voting power in the company paying the dividend, credit shall be allowed as if the dividend were a dividend of a class in relation to which the arrangements so provide.

(8) Credit shall not be allowed under the arrangements against income tax chargeable in respect of the income of any person for any year of assessment if he elects that credit shall not be allowed in the case of his income for that year.

(9) Any claim for an allowance by way of credit shall be made not later than two years after the end of the year of assessment, and in the event of any dispute as to the amount allowable the claim shall be subject to objection and appeal in like manner as an assessment.

(10) Where the amount of any credit given under the arrangements is rendered excessive or insufficient by reason of any adjustment of the amount of any tax payable either in the Colony or elsewhere, nothing in this Law limiting the time for the making of assessments

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or claims for relief shall apply to any assessment or claim to which the adjustment gives rise, being an assessment or claim made not later than two years from the time when all such assessments, adjustments and other determinations have been made, whether in the Colony or elsewhere, as are material in determining whether any and, if so, what credit falls to be given.

Set off of tax deducted by Companies affected by double taxation relief.

42c.—(1) Where the tax paid or payable by a company is affected by double taxation relief the amount to be set off under section 20 of this Law, or to be repaid under section 39 of this Law, in respect of the tax deductible from any dividend paid by the company shall be reduced as follows:—

(*a*) if no tax is chargeable on the recipient in respect of the dividend, the reduction shall be an amount equal to tax on the gross dividend at the rate of double taxation relief applicable thereto;

(*b*) if the rate of tax chargeable on the recipient in respect of the dividend is less than the rate of double taxation relief applicable to the dividend, the reduction shall be an amount equal to tax on the gross dividend at the difference between those two rates.

(2) For the purposes of this section the expression 'double taxation relief' has the same meaning as in section 19 of this Law, and the expression 'the rate of double taxation relief' means the rate which represents the excess of the rate of tax deductible from the dividend over the net Colonial rate applicable thereto."

Date of coming into operation.

4. This Law shall be deemed to have come into operation on the 1st day of January, 1946.

R. E. TURNBULL,
Colonial Secretary.

30*th June*, 1947.

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